

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Lansing Brownfield Redevelopment Authority	County Ingham
Fiscal Year End June 30, 2007	Opinion Date December 15, 2007	Date Audit Report Submitted to State December 27, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

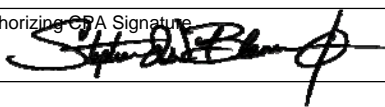
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) REHMANN ROBSON		Telephone Number 517.787.6503		
Street Address 675 Robinson Road		City Jackson	State MI	Zip 49204
Authorizing CPA Signature 		Printed Name Stephen W. Blann, CPA, CGFM		License Number 24801

**LANSING BROWNFIELD
REDEVELOPMENT AUTHORITY**
(A Component Unit of the
City of Lansing, Michigan)

Lansing, Michigan

BASIC FINANCIAL STATEMENTS

**For the Year Ended
June 30, 2007**



REHMANN ROBSON

Certified Public Accountants

LANSING BROWNFIELD REDEVELOPMENT AUTHORITY
(A Component Unit of the
City of Lansing, Michigan)

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REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

December 15, 2007

Board of Directors
Lansing Brownfield Redevelopment Authority
City of Lansing, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the ***Lansing Brownfield Redevelopment Authority, a component unit of the City of Lansing, Michigan***, as of and for the year ended June 30, 2007, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the ***Lansing Brownfield Redevelopment Authority*** as of June 30, 2007, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Authority has not presented Management's Discussion and Analysis as required supplementary information. The GASB has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2007 on our consideration of Lansing Brownfield Redevelopment Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

BASIC FINANCIAL STATEMENTS

Lansing Brownfield Redevelopment Authority

Statement of Net Assets

June 30, 2007

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 556,479
Accounts receivable	36,000
Bond issuance costs	<u>61,138</u>
Total assets	<u>653,617</u>
Liabilities	
Accounts payable and accrued liabilities	160,794
Accrued interest payable	34,858
Unearned revenue	469
Long-term liabilities:	
Due within one year	165,000
Due in more than one year	<u>2,060,000</u>
Total liabilities	<u>2,421,121</u>
Net assets	
Unrestricted (deficit) - See Note 2	<u><u>\$ (1,767,504)</u></u>

The accompanying notes are an integral part of these financial statements.

Lansing Brownfield Redevelopment Authority

Statement of Activities
For the Year Ended June 30, 2007

Functions / Programs	Expenses	Program Revenues	Net (Expense) Revenue
		Operating Grants and Contributions	
Governmental activities:			
Redevelopment	\$ 918,465	\$ 218,858	\$ (699,607)
General revenues:			
Property taxes			781,192
Unrestricted investment earnings			17,889
Total general revenues			799,081
Change in net assets			99,474
Net assets (deficit), beginning of year			(1,866,978)
Net assets (deficit), end of year			\$ (1,767,504)

The accompanying notes are an integral part of these financial statements.

Lansing Brownfield Redevelopment Authority

Balance Sheet
Governmental Fund
June 30, 2007

	<u>General Fund</u>
<u>ASSETS</u>	
Assets	
Cash	\$ 556,479
Accounts receivable	<u>36,000</u>
Total assets	<u><u>\$ 592,479</u></u>
<u>LIABILITIES AND FUND BALANCES</u>	
Liabilities	
Accounts payable	\$ 74,849
Due to the City of Lansing	85,945
Deferred revenue	<u>469</u>
Total liabilities	161,263
Fund balances	
Unreserved:	
Undesignated	<u>431,216</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u><u>\$ 592,479</u></u>

The accompanying notes are an integral part of these financial statements.

Lansing Brownfield Redevelopment Authority

Reconciliation of Fund Balances on the Balance Sheet for the Governmental Fund to Net Assets of Governmental Activities on the Statement of Net Assets June 30, 2007

Fund balances - total governmental fund	\$	431,216
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Amounts reported for governmental activities in the statement of net assets are different because:

Costs associated with the issuance of bonds are expended in the individual funds, but are capitalized and amortized over the life of the bonds in the statement of net assets.

Add: deferred charges for bond issuance costs	61,138
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Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: long term debt	(2,225,000)
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Deduct: accrued interest payable	<u>(34,858)</u>
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Net assets of governmental activities	\$	<u><u>(1,767,504)</u></u>
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The accompanying notes are an integral part of these financial statements.

Lansing Brownfield Redevelopment Authority

Statement of Revenue, Expenditures, and Changes

in Fund Balance - Budget and Actual

General Fund

For the Year Ended June 30, 2007

	Original/ Final Budget	Actual	Actual Over (Under) Budget
Revenue			
Property taxes	\$ 942,032	\$ 781,192	\$ (160,840)
Interest	-	17,889	17,889
Grants	-	218,858	218,858
Total revenue	942,032	1,017,939	75,907
Expenditures			
Administrative	55,026	62,744	7,718
Capital projects	778,127	721,381	(56,746)
Capital projects - EPA Brownfield Cleanup Revolving Loan Fund	-	19,350	19,350
Interest and fiscal charges	104,800	104,800	-
Total expenditures	937,953	908,275	(29,678)
Net change in fund balance	4,079	109,664	105,585
Fund balance, beginning of year	321,552	321,552	-
Fund balance, end of year	<u>\$ 325,631</u>	<u>\$ 431,216</u>	<u>\$ 105,585</u>

The accompanying notes are an integral part of these financial statements.

Lansing Brownfield Redevelopment Authority
Reconciliation of the Statement of Revenues, Expenditures
and Change in Fund Balances of the Governmental Fund
to the Statement of Activities
For the Year Ended June 30, 2007

Net change in fund balances - total governmental fund	\$ 109,664
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Amounts reported for *governmental activities* in the statement of activities are different because:

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Deduct: amortization of bond issuance costs	<u>(10,190)</u>
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Change in net assets of governmental activities	<u><u>\$ 99,474</u></u>
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The accompanying notes are an integral part of these financial statements.

LANSG BROWNFELD REDEVELOPMENT AUTHORITY

Notes To Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – These financial statements present the activities of the Lansing Brownfield Redevelopment Authority (the “Authority”). The Authority was established August 17, 1997, pursuant to Public Act 381 of 1996. The primary purpose of the Authority is to revitalize environmentally distressed areas in the City of Lansing. The Authority’s activities are primarily funded through tax increment financing.

The Authority is a component unit of the City of Lansing, Michigan (the “City”) because the City appoints the Authority’s Board of Directors, it has the ability to significantly influence the Authority’s operations, and it is financially accountable for the Authority as defined under GASB Statement No. 14, *The Financial Reporting Entity*. Accordingly, the Authority is presented as a discrete component unit in the City’s financial statements and is an integral part of that reporting entity.

Government-wide and Fund Financial Statements – The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. Direct expenses are those that are clearly identifiable activities with a specific function or identifiable activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a function or identifiable activity and 2) grants and contributions that are restricted to meeting the operational requirement of a particular function or identifiable activity. Property taxes not properly included among program revenues are reportable instead as general revenues.

Measurement Focus, Basis of Accounting and Financial Statement Presentation – The government-wide financial information is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial information is reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

LANSING BROWNFIELD REDEVELOPMENT AUTHORITY

Notes To Basic Financial Statements

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Authority reports a single major governmental fund – the general fund. The *general fund* is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund, if any.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

Long-term Obligations – In the government-wide financial statements, long-term debt is reported as a liability. Bond discounts, as well as issuance costs, if any, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Budgetary Information – The Authority has established the following procedures for determining the budgetary data presented in the accompanying financial statements:

- The secretary of the Authority's Board of Directors submits to the City Council of the City of Lansing a proposed operating budget for the fiscal year commencing the following July 1st. The budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted to obtain taxpayer comments.
- Prior to July 1st, the budget is legally adopted by City Council resolution, pursuant to the Uniform Budgeting and Accounting Act (P.A. 621). This act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or to allow expenditures in excess of original estimates. Expenditures shall not be made or incurred unless authorized in the budget and shall not exceed the amount appropriated.

LANSING BROWNFIELD REDEVELOPMENT AUTHORITY

Notes To Basic Financial Statements

- Formal budgetary integration is employed as a management control device during the year for the funds.
- Budgets are adopted on a basis consistent with generally accepted accounting principles.
- The budget is adopted at the functional level as reported in the budgetary comparison schedules, which are included as required supplementary information. Expenditures may not exceed budget at the functional level.

2. NET ASSET DEFICIT

The statement of net assets shows a deficit of \$1,767,504, which is due to the full accrual accounting of all long-term debt, without reflecting a corresponding receivable for tax captures to be received in future periods (which cannot be accrued in accordance with generally accepted accounting principles). Current net assets (before taking into consideration long-term debt) amount to a positive balance of \$431,216.

3. CASH AND INVESTMENTS

Deposits - At year-end, the carrying amount of the Authority's deposits was \$556,479. Of the \$556,479 bank balance, \$100,000 was covered by federal depository insurance and the remaining balance of \$456,479 was uninsured and uncollateralized.

The Authority follows the investment policy of the City of Lansing.

LANSING BROWNFIELD REDEVELOPMENT AUTHORITY

Notes To Basic Financial Statements

4. LONG-TERM LIABILITIES

Annual debt service requirements to maturity for the Authority's debt, are as follows:

Year Ended June 30	Principal	Interest	Total
2008	\$ 165,000	\$ 104,575	\$ 269,575
2009	365,000	96,820	461,820
2010	425,000	79,665	504,665
2011	450,000	59,690	509,690
2012	405,000	38,540	443,540
2013	415,000	19,505	434,505
	\$ 2,225,000	\$ 398,795	\$ 2,623,795

Changes in Long-Term Debt. Long-term liability activity for the year ended June 30, 2007, were as follows:

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Amount Due Within One Year
General Obligation Limited Tax Bonds Payable, Series 2004	<u>\$ 2,225,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,225,000</u>	<u>\$ 165,000</u>

5. PROPERTY TAXES

Property tax revenue is derived pursuant to a tax increment financing agreement between the Authority and various applicable taxing districts. Real and personal property taxes are levied and attach as an enforceable lien on properties located within the boundaries of the tax increment financing district. The City of Lansing bills and collects the taxes on behalf of the Authority. Delinquent taxes on ad valorem real property are purchased by Ingham County. Property tax revenue is recognized when levied in the government-wide financial statements and in the fund financial statements to the extent that it results in current receivables.

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

December 15, 2007

Board of Directors
Lansing Brownfield Redevelopment Authority
City of Lansing, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the ***Lansing Brownfield Redevelopment Authority, a component unit of the City of Lansing, Michigan*** as of and for the year ended June 30, 2007, and have issued our report thereon dated December 15, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lansing Brownfield Redevelopment Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.